

May 7, 2019

Michele K. Smith
Director
Office of Community Planning and Development
U.S. Department of Housing and Urban Development
920 2nd Avenue South, Suite 1300
Minneapolis, MN 55402-4012

VIA Courier and Email

RE: Journey Home Minnesota (fka Shoreview Area Housing Initiative)
Community Development Block Grant No. B12-UC-27-0004
IDIS Activity No. 283

Dear Ms. Smith:

We recently became aware of transactions involving two residential properties funded by the above-referenced Community Development Block Grant (CDBG) that violated the terms of the agreement between the Ramsey County Housing and Redevelopment Authority ("HRA") and the grantee, and which we believe constituted an improper conflict of interest by a principal of the grantee who is also an elected HRA official. The purpose of this letter is to disclose the circumstances of the transactions giving rise to the violation and conflict, and to describe actions taken by Ramsey County in response.

As part of the fiscal year 2012 Action Plan, the HRA awarded \$60,000 in CDBG funds to a local nonprofit organization, Journey Home Minnesota (formerly known as Shoreview Area Housing Initiative or SAHI)¹ by vote on May 8, 2012. Journey Home used these funds to purchase two residential properties in Ramsey County suburbs (one located in New Brighton, the other in White Bear Lake), applying \$30,000 to the purchase of each.²

Shortly after the grants were awarded, but before they were funded, Journey Home's founder and principal Blake Huffman was elected to a seat on the Ramsey County Board of Commissioners and took office in January 2013. Commissioner Huffman was serving as Journey Home's board chair and unpaid executive director when he took office. Ramsey County commissioners, including Commissioner Huffman, also constituted the HRA Board, and in January 2015 Commissioner Huffman was elected by his fellow commissioners as chair of the HRA Board.

Journey Home closed on the purchase of the two properties in June and August 2013, and entered into a standard loan agreement, repayment note, and declaration covering each property purchased with the proceeds of the Community Development Block Grant. The declarations were recorded, and Journey Home used the properties to provide rental housing to qualified occupants.

¹ For ease of reference, we refer to the organization here as Journey Home, even in instances involving transactions by its predecessor SAHI.

² Journey Home has owned three other properties funded with HUD-related grants. One other CDBG-funded property was purchased by Journey Home in 2009, and is still owned by Journey Home. Two other properties were purchased by Journey Home with CHDO funds, but those have since been transferred to other qualified nonprofit entities in Ramsey County.

In January 2019, HRA staff learned from local media reports that Journey Home had sold (in July and November 2018) the two CDBG-funded properties, and that one of the properties had been sold to Commissioner Huffman's son, Zach Huffman. HRA staff requested information about the sales from Journey Home and Commissioner Huffman. Their review of the documentation not only confirmed that Journey Home had sold the New Brighton property to Commissioner Huffman's son, but also revealed that another son, Alex Huffman, acted as the real estate agent for the sale of both properties.

After learning these facts, the Ramsey County Attorney engaged an outside law firm to review these transactions, and other transactions involving Journey Home during Commissioner Huffman's service on the Ramsey County and HRA Boards.

The law firm's review confirmed that Alex Huffman acted as a real estate agent and received real estate commissions from the sale of the two CDBG-funded properties, and that the New Brighton property was purchased by Zach Huffman. These transactions occurred while Commissioner Huffman was board chair and executive director of Journey Home, and while he served as the chair of the HRA Board. The review also confirmed that the sale of these properties, without prior approval by Ramsey County, violated Journey Home's loan agreement with Ramsey County. Finally, the review could not eliminate the possibility that Commissioner Huffman's official position may have facilitated the closing notwithstanding the existing declarations affecting title to the properties.

According to the HRA staff, the buyer of the New Brighton property (Zach Huffman) meets the CDBG income eligibility requirements. The White Bear Lake property was purchased by Max Olson. There is no known connection between Mr. Olson and Journey Home or the HRA, and we have not yet determined whether Mr. Olson meets income eligibility requirements.

The law firm reviewers discussed these transactions with Commissioner Huffman. He confirmed that his son Alex Huffman did receive commissions for selling the two CDBG-funded properties, but claimed that Alex charged below-market commissions. He also confirmed that his son Zach Huffman purchased the New Brighton property, but claimed that the purchase price was supported by an independent appraisal. He also stated that members of the Journey Home board were aware of the involvement of his sons when that board approved these transactions.

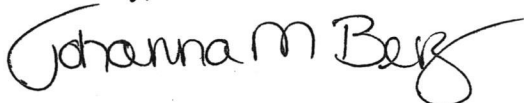
Beyond the involvement of his sons in these two transactions, the reviewers did not uncover any other incidents of Commissioner Huffman or his family receiving any personal financial benefit involving any of the properties owned by Journey Home that were funded by the HRA.

We have concluded that Journey Home's use of Commissioner Huffman's son as a real estate agent and its sale of the New Brighton property to another son may constitute a conflict of interest prohibited by 2 C.F.R. § 200.318 and 24 C.F.R. §570.611. Given Commissioner Huffman's positions as Journey Home's executive director and chair of its board, and his contemporaneous service as a Commissioner at the time of the sales, Journey Home should have not entered into any contract with the Commissioner's sons where they would receive a benefit, and certainly not without advance notice to the HRA staff.

In addition to its disclosure to HUD of these findings, Ramsey County will take steps to recover the grant funds from Journey Home. We will keep you informed on the progress of our efforts. If the funds are recovered, we will contact you to discuss whether those funds should be returned to HUD, or if they may be used by the HRA to assist another qualifying project.

Our partnership with HUD depends on trust and transparency. It is in that spirit that we make this disclosure. Of course, please contact me if you have any question or concern about this report. In the meantime we look forward to our continued work with HUD and its support of our mission to develop and provide affordable housing for Ramsey County residents.

Sincerely,

A handwritten signature in black ink that reads "Johanna M. Berg". The signature is fluid and cursive, with the first name "Johanna" and last name "Berg" clearly legible.

Johanna M. Berg
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Ramsey County
Economic Growth and Community Investment Service Team
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cc: Jim McDonough, Chair, Ramsey County Board of Commissioners
Ryan O'Connor, Ramsey County Manager